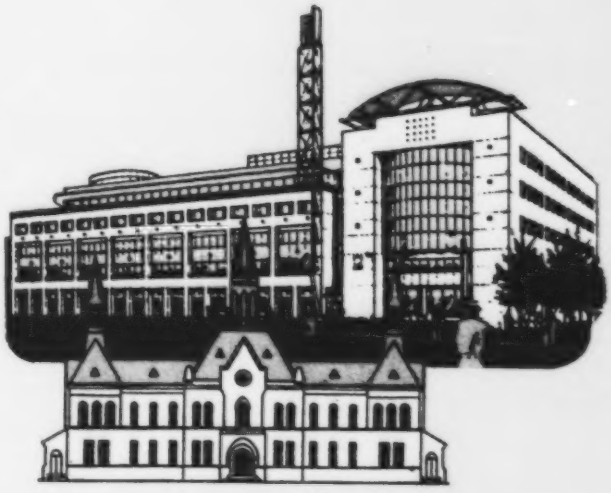

1987

FINANCIAL REPORT

THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

88-05227/

Prepared by the Accounting Branch of the Finance Department

Graphics by the Technical and Graphics Section of the Transportation Department

THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

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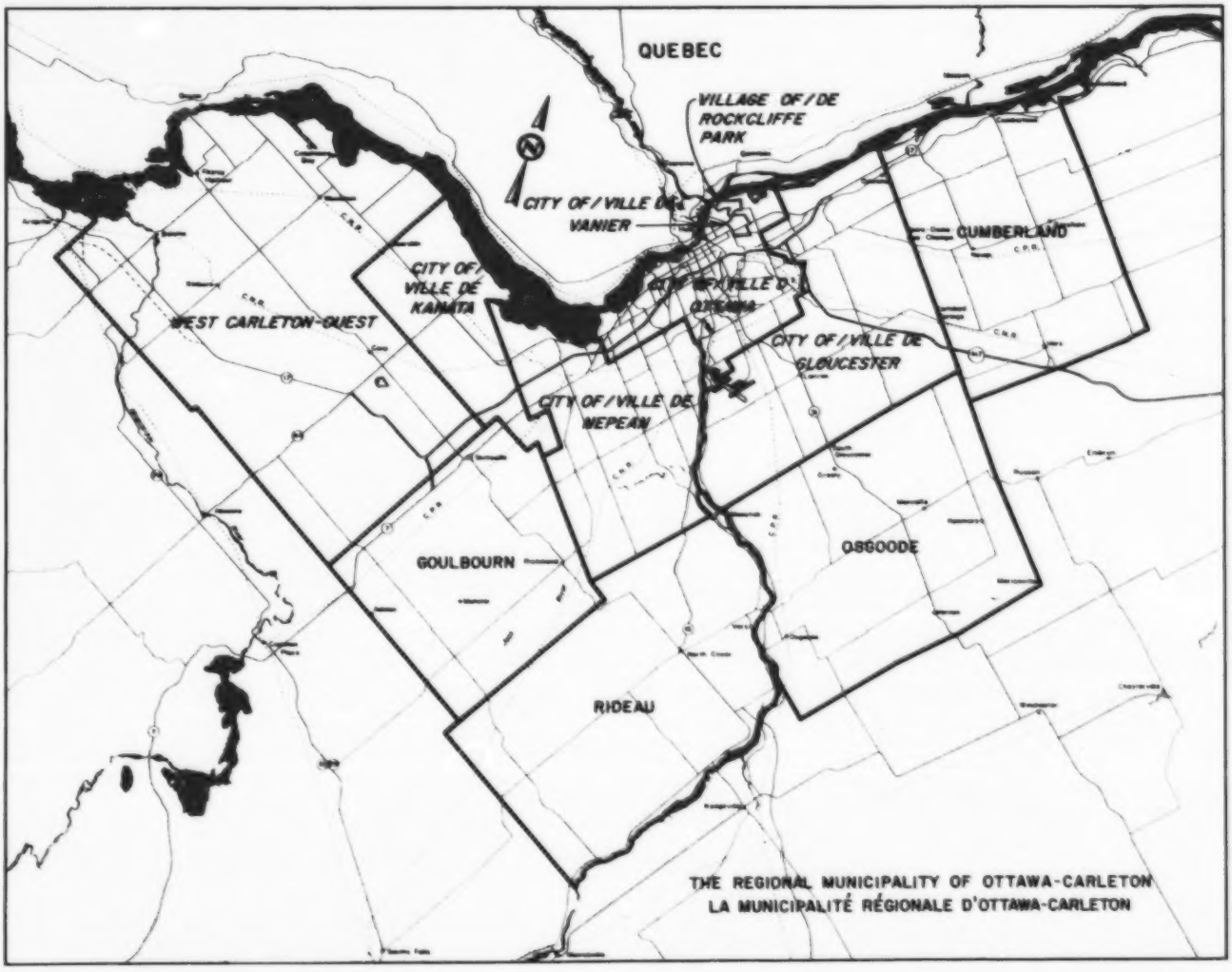
THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON



The Regional Municipality of Ottawa-Carleton, the "Region", established in 1969, was Ontario's first regional municipality and formed the framework for the creation of similar governmental units throughout the Province. The Region remains the largest of the ten regional municipalities with a 1987 population of 614,223 representing 250,880 households.

The Region centres on the City of Ottawa, Canada's National Capital which together with the Quebec portion of the National Capital area represents the fourth largest metropolitan area in Canada. While being very much an urban centre, the Region also incorporates a large rural area within its 2,757 square kilometre (1,064 square mile) boundaries.

This diversity in demographic make-up, together with the need for the co-ordination of land use planning, transportation systems, water services and environmental control led to the creation of the Region.

The governing body of the Region is Regional Council, which consists of thirty-two elected representatives from the member municipalities and a Regional Chairman who is elected by the Regional Council and who serves as the Chief Executive Officer.

MEMBER MUNICIPALITIES

	1987 Population	Representation on Regional Council
Ottawa	304,883	16
Nepean	96,098	4
Gloucester	90,111	3
Kanata	28,001	1
Vanier	18,557	2
Cumberland	28,269	1
West Carleton	11,757	1
Osgoode	11,253	1
Goulbourn	12,642	1
Rideau	10,332	1
Rockcliffe Park	2,320	1
	614,223	**32**

LOCAL RESPONSIBILITIES

- recreation and community services including parks and libraries
- fire protection
- police protection
- local streets, sidewalks and street lighting
- local sewers
- garbage collection
- local planning and zoning
- building permits
- tax collection for the area municipalities, the Region and school boards

REGIONAL RESPONSIBILITIES

- arterial roads and traffic
- water filtration and distribution
- sewage collection and treatment and solid waste disposal
- health and social services including grants to hospitals, health care,welfare, daycare, and homes for the aged
- region wide planning
- debt financing
- tourism and industrial and commercial development
- public transit including transitways and OC Transpo

DECEMBER 1985-NOVEMBER 1988 COUNCIL

THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

ANDREW S. HAYDON
Chairman

CONSEIL DÉCEMBRE 1985-NOVEMBRE 1988

MUNICIPALITÉ RÉGIONALE D'OTTAWA-CARLETON

HARRY ALLEN
Mayor
City of Gloucester
Executive Committee Member

ALBERT BOUWERS
Mayor
Township of Osgoode
Executive Committee Member

PETER CLARK
Mayor
Township of Cumberland
Executive Committee Member

JIM DURRELL
Mayor
City of Ottawa
Executive Committee Member

BEN FRANKLIN
Mayor
City of Nepean
Executive Committee Member

JACQUELIN HOLZMAN
Alderman
City of Ottawa
Executive Committee Member

DARREL KENT
Alderman
City of Ottawa
Executive Committee Member

MICHAEL McSWEENEY
Alderman
City of Ottawa
Executive Committee Member

DES ADAM
Mayor
City of Kanata

GLENN BROOKS
Mayor
Township of Rideau

GEORGE BROWN
Alderman
City of Ottawa

CLAUDETTE CAIN
Alderman
City of Gloucester

RICHARD CANTIN
Alderman
City of Gloucester

ERIC CRAIG
Mayor
Twp. of W. Carleton

JAMIE FISHER
Alderman
City of Ottawa

BERYL GAFFNEY
Alderman
City of Nepean

MAC HARB
Alderman
City of Ottawa

DIANE HOLMES
Alderman
City of Ottawa

GORD HUNTER
Alderman
City of Nepean

GEORGE KELLY
Alderman
City of Ottawa

RONALD KILLEEN
Alderman
City of Vanier

GISÈLE LALONDE
Mayor
City of Vanier

MARC LAVIOLETTE
Alderman
City of Ottawa

MARK MALONEY
Alderman
City of Ottawa

BOB MORRISON
Alderman
City of Ottawa

PATRICK MURRAY
Mayor
Vill. of Rockcliffe Pk

JOAN O'NEILL
Alderman
City of Ottawa

ROB QUINN
Alderman
City of Ottawa

FRANK REID
Alderman
City of Nepean

NANCY SMITH
Alderman
City of Ottawa

RUTH WILDGEN
Alderman
City of Ottawa

ANTON WYTENBURG
Mayor
Twp. of Goulbourn

THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

MESSAGE FROM THE REGIONAL CHAIRMAN 1987

On May 14, 1987 the official ground breaking ceremonies took place for the construction of the new Regional Headquarters complex at the site of the Teachers' College on Elgin and Lisgar Streets. The site is right in the heart of downtown Ottawa immediately adjacent to the newly constructed Provincial Courthouse and near the Federal Parliament Buildings.

The Teachers' College is a heritage designated building and plans call for its restoration along with the construction of the new administration building. The complex will provide 375,000 square feet of space for public and legislative functions. It will accommodate regional staff and plans include retail space to serve the building occupants. The design has been conceived as a public place for the residents of Ottawa-Carleton.

Our new Regional Headquarters will provide us with a presence within Ottawa-Carleton and will no doubt encourage our citizens to find out more about us.

Many other important projects are also underway:

(a) The introduction of the 9-1-1 Emergency Services is scheduled to go into operation June 22, 1988.

This number will make it easier for citizens within the Region to report emergencies and to obtain assistance from police, fire and ambulance services. 9-1-1 is rapidly becoming the standard throughout North America for access to emergency services. By the end of 1988, 63% of the population of Ontario will have 9-1-1 service.

(b) The review of the Region's Official Plan is now underway and will be forwarded to the Minister of Municipal Affairs in early fall 1988, after final Council approval.

(c) The expansion of the primary treatment facilities at the Green Creek Pollution Control Centre has been approved by Council and will proceed after Ontario Municipal Board approval.

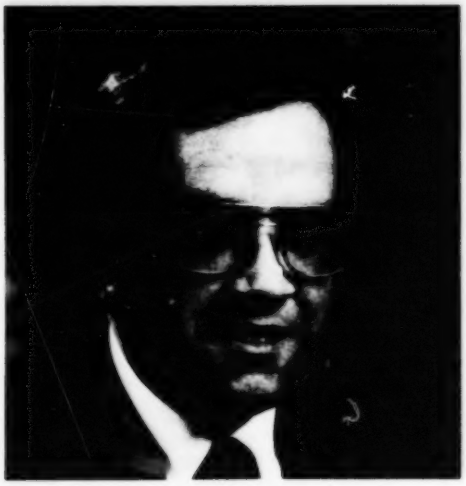
The addition of secondary treatment components consisting of aeration tanks and secondary clarifiers has been deferred until 1990 to permit funding initiatives to be finalized.

(d) A review of the Region's structure and representation has been commissioned by the Provincial Government and will be released in the late fall of 1988.

Ottawa-Carleton's motto "moving forward with progress" is testimony of our commitment to providing the best possible services to our citizens. Our continued growth and development contribute to making Ottawa-Carleton a great place to live in.

Members of Council join me in commending staff for their continued dedication to the residents of Ottawa-Carleton.

Andrew S. Haydon,
Chairman.



INTRODUCTION

I am pleased to present the 1987 Financial Report of the Regional Municipality of Ottawa-Carleton.

This report covers the current and capital operations of the Region and the Ottawa-Carleton Regional Transit Commission. Trust funds at the Homes for the Aged, the Regional Sinking Fund and certain programs administered by the Health Department on behalf of the Province of Ontario are not included.

YEAR-END POSITION

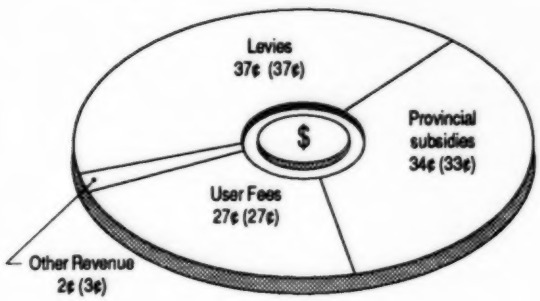
The current operations deficit of $263,000 reported in the consolidated financial statements relates solely to Day Care operations. A surplus of $3.3 million in other areas of the current operations fund was contributed to capital reserve funds to reduce future long term debt requirements for capital projects. Since 1981, $28.5 million in supplementary contributions have been used to reduce debt requirements on capital projects.

CURRENT OPERATIONS

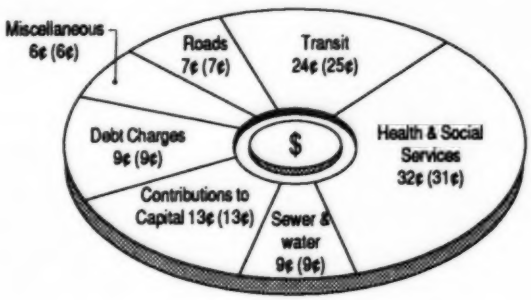
As illustrated in the chart below, revenue from Regional tax levies remained at 37% of every dollar while provincial unconditional grants and direct subsidies on such programs as health and social services, road and bridge maintenance and transit operating costs increased to 34%. This increase in provincial subsidies is a direct result of the increase in spending levels of the Social and Health Services programs. The majority of the remaining revenue was generated through water and sewer rates as well as transit fares and resident fees charged at the three Homes for the Aged.

As has been the case for the last several years, Social and Health Services programs continue to represent an increasing proportion of Regional spending. Since 1982 these programs have increased from 28% to the current level of 32% of all spending.

OPERATING REVENUE
1987 (1986)



OPERATING EXPENDITURES
1987 (1986)



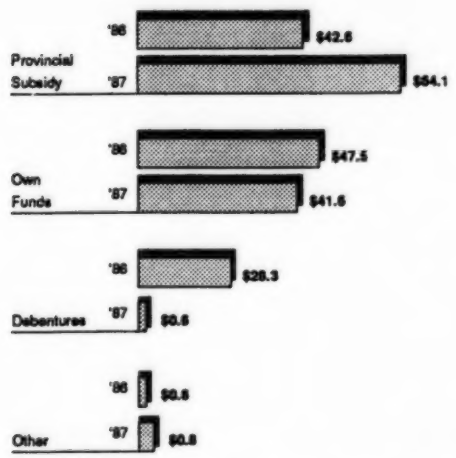
CAPITAL OPERATIONS

A start on the expansion of the OC Transpo garage and office building as well as the purchase of 92 articulated buses accounted for $29.9 million of the total transit expenditure of $61.9 million in 1987 with the remainder being spent on the ongoing construction of the transitway. Cash flow forecasts indicate that the level of expenditure for transit will remain about the same for the next several years.

Other capital expenditures of $28.1 million reflect the start of construction of the new Regional Headquarters building ($17.1 million) which is scheduled for completion by the end of 1989. Also included in this category is the construction of a new Home for the Aged facility.

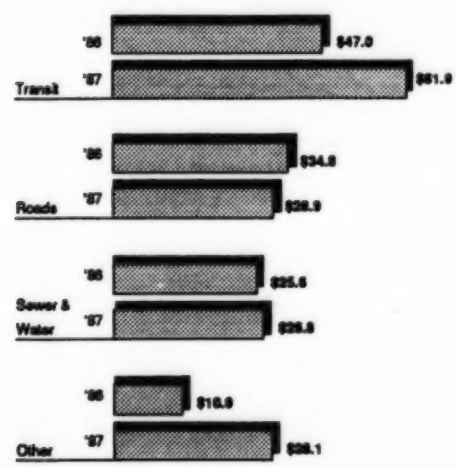
The major capital project over the next few years will be the expansion of the Green Creek Pollution Control Centre which is estimated to cost $398.9 million. Without a significant contribution from the federal and provincial governments, a project of this magnitude may seriously affect the scheduling of other much needed capital works. The Province of Ontario recently announced that it will contribute $106 million to this project and discussions are continuing to increase that amount to $133 million. A matching contribution is also being sought from the Federal government.

CAPITAL FINANCING
(In millions)



Provincial subsidies increased significantly in 1987 as a result of increased spending on the purchase of buses and transitway construction which are subsidized at a rate of 75%.

CAPITAL EXPENDITURES
(In millions)



With respect to debenture financing, it should be noted that the Region did not issue debentures in 1987. The $0.6 million of debentures is in fact long term financing in the form of a lease purchase arrangement for the replacement of boilers at the Island Lodge Home for the Aged. It should also be noted that as a result of not issuing debentures in 1987, unfinanced capital works at the end of the year amounted to $42.8 million. This amount will be financed with debenture issues in 1988.

NET LONG TERM DEBT

The Region's total debt position including unfinanced work to be debentured at the end of each of the past five years is illustrated in the following table (in millions).

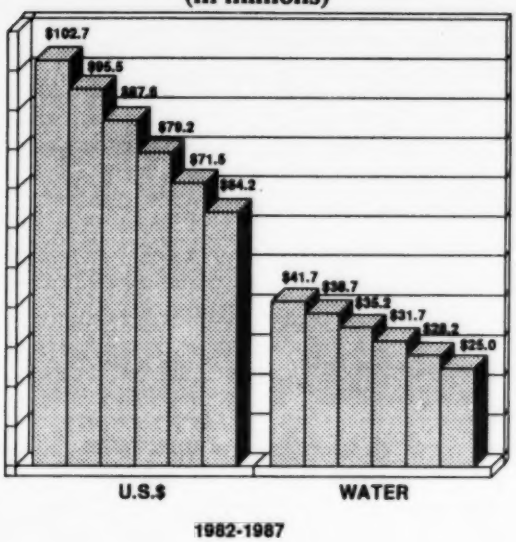
	Outstanding Debentures	Unfinanced Work To Be Debentured	Total
1983	172.4	3.2	175.6
1984	183.1	3.2	186.3
1985	190.2	4.5	194.7
1986	201.4	1.2	202.6
1987	183.0	42.8	225.8

The Region's long term debt has remained relatively stable in the past five years despite a capital expenditure programme of $591.5 million during that period. This was achieved through Council's determined effort over the period to fund as much of the capital spending program as possible on a "pay-as-you-go basis".

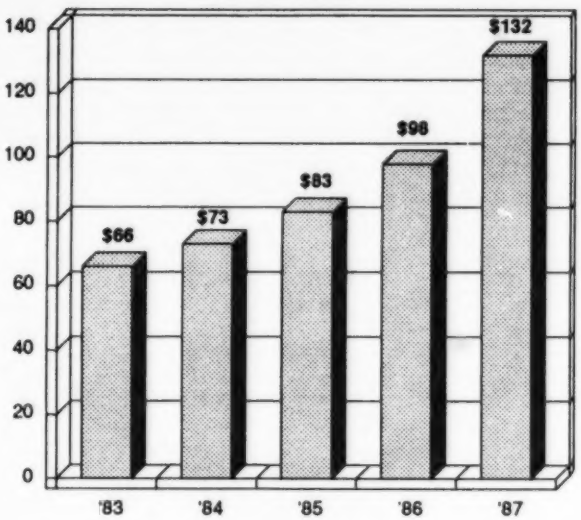
In fact, no new debt has been issued for the water system since 1982 despite capital expenditures of $51 million during the period. The outstanding debt for this system has therefore steadily declined from almost $42 million in 1982 to the present level of $25 million.

Included in the Region's net long term debt is $64.2 million of U.S. denominated debentures which are recorded in Canadian dollars at the rate of exchange prevailing when the debentures were issued. Translation at the rate of exchange on December 31, 1987 would increase the debt by $10.4 million. The Region has a Debenture Currency Exchange Reserve Fund in the amount of $7.6 million that is used to partially offset foreign exchange costs incurred on the repayment of this debt. From time to time, the Region also utilizes forward exchange contracts to minimize potential exchange risk. It should be noted that no new U.S. debt has been issued by the Region since 1982.

NET LONG TERM DEBT
(in millions)



RESERVES & RESERVE FUNDS
(in millions)



RESERVES AND RESERVE FUNDS

The Region introduced Regional Development Charges on residential development in 1985. These charges were phased in over a three year period with full rates put into effect January 1, 1987. Funds collected from this source are held in reserve funds and used to finance growth-related capital projects. Total revenues from Regional Development Charges amounted to almost $15 million over the three year period of which $10.6 million has been identified in the Capital Budget. In addition, it is expected that funding of capital projects through Regional Development Charges will exceed $50 million over the next ten years.

Reserves and reserve funds have grown from about $66 million five years ago to almost $132 million at the end of 1987. Over $65 million of the 1987 balance has been committed to finance capital projects already under construction. The majority of the remaining $67 million is held for other purposes such as growth-related capital projects, replacement of equipment, foreign exchange costs on the repayment of long term debt and the Region's liability for vested sick leave and annual leave.

Pending the use of these reserve funds to finance projects as spending occurs, they represent an important source of borrowing for the Region to meet its day-to-day cash requirements on operations. At the end of 1987, loans to operations amounted to $67 million with an additional $40 million held in other forms of short term holdings. The remainder of reserve fund investments consisted mainly of holdings in the Region's own debentures.

SUMMARY

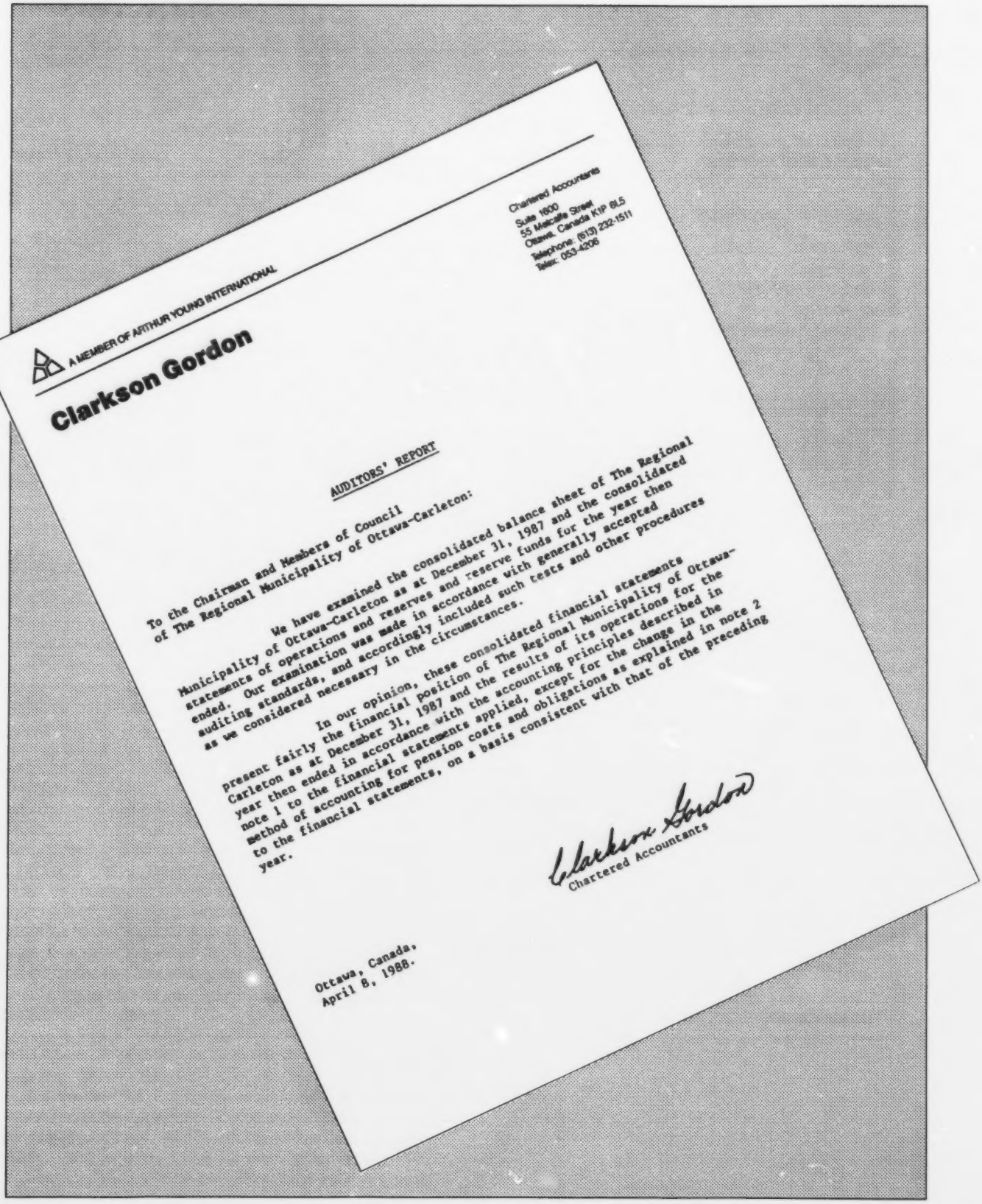
The capital requirements identified in the ten year forecast, will result in significant capital financing costs in future years. The challenge for future years will be to continue to formulate and adopt capital financing policies to address the appropriate levels of debt financing, Regional Development Charges and pay-as-you-go funding on tax levies and user rates.

Finally, I would like to take this opportunity to acknowledge the cooperation and assistance received throughout 1987 from Regional Council, Department Heads and the many other officials in the various Regional departments and to thank, in particular, all the Finance Department staff for their continued dedication and hard work.

J.C. LeBelle, C.A.
Finance Commissioner and Treasurer

(All dollar amounts are in thousands except where indicated)	1987	1986	1985	1984	1983
Statistical Information					
Population	614,223	605,545	599,688	581,104	569,747
Households	250,880	245,052	237,726	231,237	223,307
Regional employees					
- Active	4,630	4,638	4,483	4,346	4,235
Equalized assessment					
-Total (millions)	34,277	29,623	24,518	21,075	18,476
- Per household	137	121	103	91	83
Current Revenue					
- Levies	173,122	155,159	140,146	123,375	106,671
- Grants	163,755	142,867	124,676	111,656	101,400
- Total	470,462	425,638	379,012	335,909	298,923
Current Expenditure					
- Fiscal	104,088	92,732	80,172	68,064	58,445
- Operating	366,637	332,906	296,284	269,848	241,023
- Total	470,725	425,638	376,456	337,912	299,468
- Per household (dollars)	1,876	1,737	1,584	1,461	1,341
Capital Financing					
- Debentures	559	28,289	24,406	26,513	20,581
- Own Funds	41,582	47,543	35,453	28,716	18,061
- Total	107,063	118,710	114,679	117,258	96,409
Capital Expenditure					
- Transportation	90,816	81,742	91,677	87,838	66,241
- Total	145,740	118,309	115,748	116,233	95,508
- Per household (dollars)	581	483	487	503	428
Net Long Term Debt					
- Total	183,056	201,370	190,223	183,128	172,370
- Per household (dollars)	730	822	800	792	772
- % of equalized assessment	0.53	0.68	0.78	0.87	0.93
Reserves and Reserve Funds	131,832	97,723	83,248	73,786	66,447

AUDITORS' REPORT



A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Clarkson Gordon

Chartered Accountants
Suite 1600
55 Metcalfe Street
Ottawa, Canada K1P 6L5
Telephone: (613) 232-1511
Telex: 053-4206

AUDITORS' REPORT

To the Chairman and Members of Council
of The Regional Municipality of Ottawa-Carleton:

We have examined the consolidated balance sheet of The Regional Municipality of Ottawa-Carleton as at December 31, 1987 and the consolidated statements of operations and reserves and reserve funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of The Regional Municipality of Ottawa-Carleton as at December 31, 1987 and the results of its operations for the year then ended in accordance with the accounting principles described in note 1 to the financial statements applied, except for the change in the method of accounting for pension costs and obligations as explained in note 2 to the financial statements, on a basis consistent with that of the preceding year.

Clarkson Gordon
Chartered Accountants

Ottawa, Canada,
April 8, 1988.

THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

CONSOLIDATED BALANCE SHEET
December 31, 1987
(in thousands)

	1987 $	1986 $
ASSETS		
Unrestricted		
Cash		3,378
User charges receivable	10,004	8,768
Accounts receivable - Ontario	46,966	46,432
- Other	6,551	5,748
Inventories	7,290	5,645
Prepaid expenses	5,649	4,855
Restricted		
Investments (note 3)	60,393	65,211
Loans receivable	66,482	27,308
Long Term		
Capital outlay	183,056	201,370
Deferred costs	877	267
	387,268	368,982
LIABILITIES AND FUND BALANCES		
Current Liabilities		
Temporary loans	9,624	
Accounts payable	34,613	43,826
Loans from reserve funds	66,482	27,308
Other current liabilities	4,498	2,559
Long Term Liabilities		
Net long term debt (note 6)	183,056	201,370
Other	194	287
	298,467	275,350
Fund Balances		
Reserves and reserve funds	131,832	97,723
Capital operations (note 8 a. and 8 b.)	(42,768)	(4,091)
Current operations (note 8 c.)	(263)	
	387,268	368,982

(See accompanying notes to consolidated financial statements)

SOURCES OF FINANCING

	1987 $	1986 $
Levy and User Charges		
Requisition on area municipalities	173,122	155,159
Transit fares	59,235	57,657
Sale of water	37,721	34,044
Sewer surcharge	11,013	8,156
Homes for the Aged resident fees	5,623	5,416
Garbage disposal fees	5,988	4,100
Day care fees	1,158	969
Other	5,490	4,893
Contributions from Other Governments		
Canada	1,276	982
Ontario	227,221	184,498
Other municipalities	1,686	4,672
Other		
Investment income	10,012	8,504
Development charges and contributions	5,145	9,078
Miscellaneous	2,668	1,510
Proceeds from the Issue of Long Term Debt	559	28,289
	547,917	507,927
Reserves and Reserve Funds at beginning of year	97,723	83,248
	645,640	591,175

(See accompanying notes to consolidated financial statements)

CONSOLIDATED STATEMENT OF OPERATIONS
Year ended December 31, 1987
(in thousands)

	1987 $	1986 $
EXPENDITURE		
Current Operations		
General government	22,004	20,280
Roads and traffic	45,394	42,270
Transit	117,900	110,658
Sewer system	19,234	17,787
Waterworks system	34,175	32,779
Health services	15,308	14,290
Social services	98,073	84,186
Homes for the Aged	19,113	17,648
Children's Aid Society	4,300	3,991
Day care	19,786	15,461
Planning and development	8,156	7,957
Other	3,565	3,441
	407,008	370,748
Capital Operations		
Unfinanced capital operations at beginning of year	4,091	4,493
General government	18,318	3,208
Roads and traffic	28,881	34,775
Transit	61,935	46,967
Sewer system	10,314	15,577
Waterworks system	16,830	9,988
Garbage disposal	1,174	1,603
Other	8,288	6,191
	149,831	122,802
Transfer of Reserve Funds to Area Municipalities		3,993
Total Expenditure	556,839	497,543
Balances at end of year		
Reserves and reserve funds	131,832	97,723
Unfinanced capital operations	(42,768)	(4,091)
Current operations deficit	(263)	
	645,640	591,175

(See accompanying notes to consolidated financial statements)

THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

CONSOLIDATED STATEMENT OF RESERVES AND RESERVE FUNDS
Year ended December 31, 1987
(in thousands)

	1987 $	1986 $
Balance at beginning of year	97,723	83,248
Revenue		
Contributions from current operations	59,295	47,956
Investment income	10,007	8,487
Development charges	5,145	9,078
Other	52	12
Total Revenue	74,499	65,533
Expenditure		
Transfers to capital operations	37,161	40,569
Transfers to current operations	3,229	6,455
Transfers to area municipalities		3,993
Other		41
Total Expenditure	40,390	51,058
Balance at end of year	131,832	97,723
Analysed as follows:		
Reserves		
Working capital	2,305	2,305
Capital expenditures	422	175
Vested employee benefits	775	719
Deferred costs	897	1,498
Inventory	265	213
Self insurance	293	294
	4,957	5,204
Reserve Funds		
Capital expenditures	77,275	54,354
Debenture currency exchange	7,639	7,678
Vested employee benefits	7,798	7,572
Equipment replacement	8,915	8,004
Winter control	1,974	1,824
Landfill	5,943	2,282
Self insurance	1,786	963
Development charges	12,564	9,842
Sewer levy contingency	2,981	
	126,875	92,519
Balance at end of year	131,832	97,723

(See accompanying notes to consolidated financial statements)

Note 1. ACCOUNTING POLICIES

These consolidated financial statements of The Regional Municipality of Ottawa-Carleton (the"Region") are the representation of management and are prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves estimates which have been made using careful judgement.

a. Basis of Consolidation

These consolidated statements reflect the assets, liabilities, sources of financing and expenditures of the current fund, capital fund, reserves and reserve funds and include the activities of all committees of Council and the Ottawa-Carleton Regional Transit Commission.

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of loans or advances between reserve funds and any other fund of the Region and the resulting interest income and expenditures.

Trust Funds at the Homes for the Aged are not consolidated but are reported separately on the "Trust Funds Statement of Continuity and Balance Sheet". There are no other non-consolidated entities.

b. Basis of Accounting

(i) Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal and interest charges on long term debt and vested leave benefits which may be paid on termination both of which are charged against operations in the years in which they are paid. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) The historical cost and accumulated depreciation for fixed assets are not recorded for municipal purposes. Fixed assets are reported as an expenditure on the Consolidated Statement of Operations in the year of acquisition.

(iii) Capital outlay which represents the outstanding principal portion of unmatured long term debt for municipal expenditures or capital funds transferred to other organizations, is reported on the Consolidated Balance Sheet.

(iv) Assets and liabilities expressed in a foreign currency are translated into Canadian dollars at the current rate of exchange at the balance sheet date, except for long term debt and other restricted foreign currency balances which are translated into Canadian dollars at the rate of exchange in effect when the transaction occurred.

(v) Reserves are allocations out of current operations which are retained for general or specific purposes. Reserve Funds which usually require allocations out of current operations are supported by designated assets, usually cash and investments set aside by By-law for some specific future use. Contributions from current operations to Reserves and Reserve Funds are recorded as expenditures in the Consolidated Statement of Operations.

(vi) Inventories of materials and finished goods are reflected at cost on the basis of average invoice price plus direct labour and overhead where applicable.

(vii) Debenture issue commissions and expenses as well as underwriting premiums are reflected in the Consolidated Statement of Operations in the year in which the debentures are issued. Underwriting discounts are reflected in the following year in accordance with section 187(3) of the Municipal Act.

(viii) Investments are initially recorded at cost and are adjusted annually for amortization of discount or premium on the basis of the effective annual yield as determined at the date of purchase with the amount of such amortization included in investment income.

(ix) The Ottawa-Carleton Regional Transit Commission has a defined benefit pension plan and uses an accrued benefit actuarial method and best estimate assumptions to value pension obligations. Adjustments arising from past service benefits and experience gains and losses are amortized over the expected average remaining service lives of the employee groups. Current service costs are expensed in the period.

Note 2. CHANGE IN ACCOUNTING POLICY

Effective January 1, 1987, the Ottawa-Carleton Regional Transit Commission changed its method of accounting for pension costs and obligations on a prospective basis to conform to the recommendations contained in the Ontario Municipal Financial Reporting Handbook. Under the new method, the excess of the present value of accrued pension benefits over pension plan assets as at January 1, 1987 and adjustments arising from past service benefits and experience gains and losses are amortized over the expected average remaining service lives of the employee groups covered by the commission's pension plan. In previous years, pension plan costs were charged to operations based on actuarial funding requirements. The effect of this change is to decrease operations expenditures in the current year by $701,300.

Note 3. INVESTMENTS

Restricted investments are comprised of (in thousands):

	Amortized Cost	Par Value	Market Value
Regional debentures	$19,443	$20,088	$21,140
Other investments	39,986	40,258	40,212
	59,429	60,346	61,352
Accrued interest	964		
	$60,393	**$60,346**	**$61,352**

Note 4. PENSIONS

a. The Region provides pension benefits for its employees and members of Regional Council through the Ontario Municipal Employees' Retirement System (OMERS), as well as the City of Ottawa Superannuation Fund (COSF) for certain employees formerly with the City of Ottawa. These plans are defined benefit plans which specify the amount of retirement benefit to be received by the employees based on the length of service and rates of pay.

Actuarial evaluations of the OMERS and COSF plans were made on January 1, 1986 and December 31, 1986 respectively and no experience deficiency existed in either plan.

The Region's share of the annual contribution to these pension plans is charged to expenditures in the year in which the contribution is made.

b. The Ottawa-Carleton Regional Transit Commission maintains a defined benefit plan which provides eligible employees with pensions based on length of service and final average earnings. An actuarial report prepared during the year indicates that the approximate present value of accrued pension benefits as at December 31, 1987 was $72,962,000 (1986 - $64,622,000). The net assets of the pension plan as at December 31, 1987, at market value, were approximately $63,363,000 (1986 - $56,676,000).

Note 5. LIABILITY FOR VESTED EMPLOYEE BENEFITS

The Region's liability with respect to employees' accumulated sick leave and annual leave days, to the extent that they are vested and could be taken in cash by an employee on termination, amounted to approximately $12,503,000 as at December 31, 1987 ($11,917,000 in 1986).

The Region has a Reserve and a Reserve Fund for vested employee benefits, the aggregate balances of which at December 31, 1987 amounted to $8,573,000 ($8,291,000 in 1986).

Note 6. NET LONG TERM DEBT

a. The balance of net long term debt reported on the Consolidated Balance Sheet is comprised of (in thousands):

	1987	1986
Long term debt issued by the Region	$385,937	$406,548
Long term debt issued by area municipalities and assumed by the Region	9,221	10,254
Total gross long term debt	**395,158**	**416,802**
Less total value of the Sinking Fund which has been accumulated to the end of the year to retire outstanding long term debt	76,066	65,231
Total net long term debt	**319,092**	**351,571**
Less net long term debt recoverable from area municipalities and school boards	136,036	150,201
Net long term debt for Regional purposes only	**$ 183,056**	**$ 201,370**

b. Principal payments including contributions to the Sinking Fund and interest charges for 1988 and future years are (in thousands):

	Principal	Interest	Total
1988	$ 15,810	$ 23,717	$39,527
1989	16,721	22,583	39,304
1990	16,967	21,194	38,161
1991	15,469	20,234	35,703
1992	16,348	18,629	34,977
1993 - 1997	55,957	57,669	113,626
1998 and thereafter	22,780	17,941	40,721
	$160,052	**$181,967**	**$342,019**
These charges will be paid from:			
General municipal operations	$132,029	$154,712	$286,741
Water operations	23,670	24,247	47,917
OC Transpo operations	4,353	3,008	7,361
	$160,052	**$181,967**	**$342,019**

In addition, it is estimated that total interest to be earned by the Sinking Fund will amount to approximately $23,004,000 which will be used to retire sinking fund debenture debt commitments at maturity.

c. Included in net long term debt on the Consolidated Balance Sheet is an amount of $64,178,000 ($71,509,000 in 1986) payable in U.S. currency which is recorded in Canadian dollars at the rate of exchange prevailing when the debt was incurred. Had this debt been recorded in Canadian dollars at the exchange rate prevailing at December 31, 1987, it would have been increased by $10,448,000 ($17,053,000 in 1986).

In addition, long term debt payable in U.S. currency for area municipality purposes (reported in note 6(a)) and recorded in Canadian dollars at the rate of exchange prevailing when the debt was incurred amounts to $34,157,000 as at December 31, 1987 ($38,665,000 in 1986). Had this debt been recorded in Canadian dollars at the exchange rate prevailing at December 31, 1987, it would have been increased by $4,030,000 ($7,424,000 in 1986).

As at December 31, 1987 the Region has a Debenture Currency Exchange Reserve Fund in the amount of $7,639,000 a portion of which is used each year to offset foreign exchange costs of the Region.

d. The Region has exclusive authority to issue debentures for the purpose of financing its own projects and those of the area municipalities. All such debentures are direct, joint and several obligations of the Region and area municipalities. Area municipalities act as intermediaries for their respective electric utilities as no debt is issued directly on behalf of utilities by the Region. In addition, provincial legislation introduced in 1980 permits the Region to issue debentures for purposes of school boards within Regional boundaries.

The Region is therefore contingently liable for long term debt for which the responsibility for the payment of principal and interest has been assumed by the area municipalities and school boards. The total outstanding as at December 31, 1987 is 136,036,000 ($150,201,000 in 1986) and is not recorded on the Consolidated Balance Sheet.

Note 7. CHARGES FOR NET LONG TERM DEBT (REGIONAL PURPOSES)

Total charges for the year for net long term debt which are reported on the Consolidated Statement of Operations are (in thousands):

	1987	1986
Principal payment including contributions to the Sinking Fund	$15,667	$14,918
Interest	24,705	22,884
	$40,372	**$37,802**
These charges are paid from:		
General municipal operations	$32,877	$29,594
Water Operations	6,218	6,728
OC Transpo operations	1,277	1,480
	$40,372	**$37,802**

Note 8. FUND BALANCES AT END OF THE YEAR

a. The unfinanced capital operations of $42,768,000 ($4,091,000 in 1986) at the end of the year is comprised of (in thousands):

	1987	1986
Projects to be financed from the proceeds of long term debt	$42,768	$ 1,215
Projects to be recovered through reserve funds		2,876
	$42,768	**$ 4,091**

b. Approval of the Ontario Municipal Board has been obtained for the pending issues of long term debt.

c. The current operations deficit of $263,000 reported in the consolidated financial statements relates solely to Day Care operations.

A surplus of $3,281,000 ($5,588,000 in 1986) in other areas of the current operations fund was contributed to the following capital project reserve funds as authorized by Council (in thousands):

	1987	1986
General	$ 571	$ 2,288
Water	849	81
Sewer	1,215	1,199
Transit	42	1,273
Landfill	747	604
	$ 3,281	$ 5,588

Note 9. CONTINGENT LIABILITIES

a. A number of major landlords within the Region have instituted an action appealing the method used in calculating the assessment of multi-unit dwellings. The County Court has reversed a decision of the Assessment Review Court and has ruled in favour of the appellants but the decision is being appealed to the Ontario Municipal Board. Due to the degree of uncertainty in establishing the validity and the quantum of the claims, no provision has been recognized in the accounts of the Region.

b. The Region has other outstanding litigation and claims in dispute as at December 1, 1987 the settlement of which is not expected to have any material effect upon the current operations of the Region and accordingly, no provision has been made in the accounts.

Note 10. NONACCRUAL OF INTEREST ON LONG TERM DEBT

No provision has been made in the consolidated financial statements for the accrual of interest on net long term debt. Had this provision been made for the first time in 1987, there would have been an additional charge of $7,550,000 ($7,989,000 in 1986). There would have been no change in the fund balance for current operations as this additional amount would have been levied in the year of change.

Note 11. COMMITMENTS

a. The Region has commitments with respect to outstanding contracts on capital projects at December 31, 1987 in the amount of $53,780,000 ($56,414,000 in 1986).

b. The Region is also committed to the following payments over the next five years under various lease agreements (in thousands):

1988	$3,215
1989	3,046
1990	2,218
1991	196
1992	134

Note 12. BUDGET FIGURES NOT PROVIDED

Budgets established for Capital Funds, Reserves and Reserve Funds are project oriented. As such, they are not directly comparable with current year actual amounts and budgets have therefore not been shown on the Consolidated Statement of Operations.

Note 13. PUBLIC LIABILITY INSURANCE

a. The Region is self-insured for public liability claims up to $50,000 per single occurrence. Outside coverage up to $10,000,000 is in place for claims in excess of these limits.

The Region has a reserve fund for self-insurance which at December 31, 1987 amounted to $1,027,000 ($963,000 in 1986) and is reported on the Consolidated Balance Sheet. The provision for the year of $100,000 ($100,000 in 1986) has been reported as an expenditure on the Consolidated Statement of Operations.

b. In recent years there have been substantial increases in the premiums charged by the insurance industry for public liability insurance. As a result, the Ottawa- Carleton Regional Transit Commission has undertaken some portion of the risk for bus accident claims which would normally have been covered by outside insurers.

The Commission is self-insured for public liability claims up to $2,000,000 for any individual claim and $2,000,000 for any number of claims arising out of a single occurrence. Outside coverage is in place for claims in excess of these limits up to a maximum of $5,000,000.

The Commission has a reserve fund for self-insurance which at December 31, 1987 amounted to $1,053,000 ($294,000 in 1986) and is reported on the Consolidated Balance Sheet. The provision for the year of $750,000 (Nil in 1986) has been reported on the Consolidated Statement of Operations. The Commission plans to fund the reserve to an amount of $2,000,000.

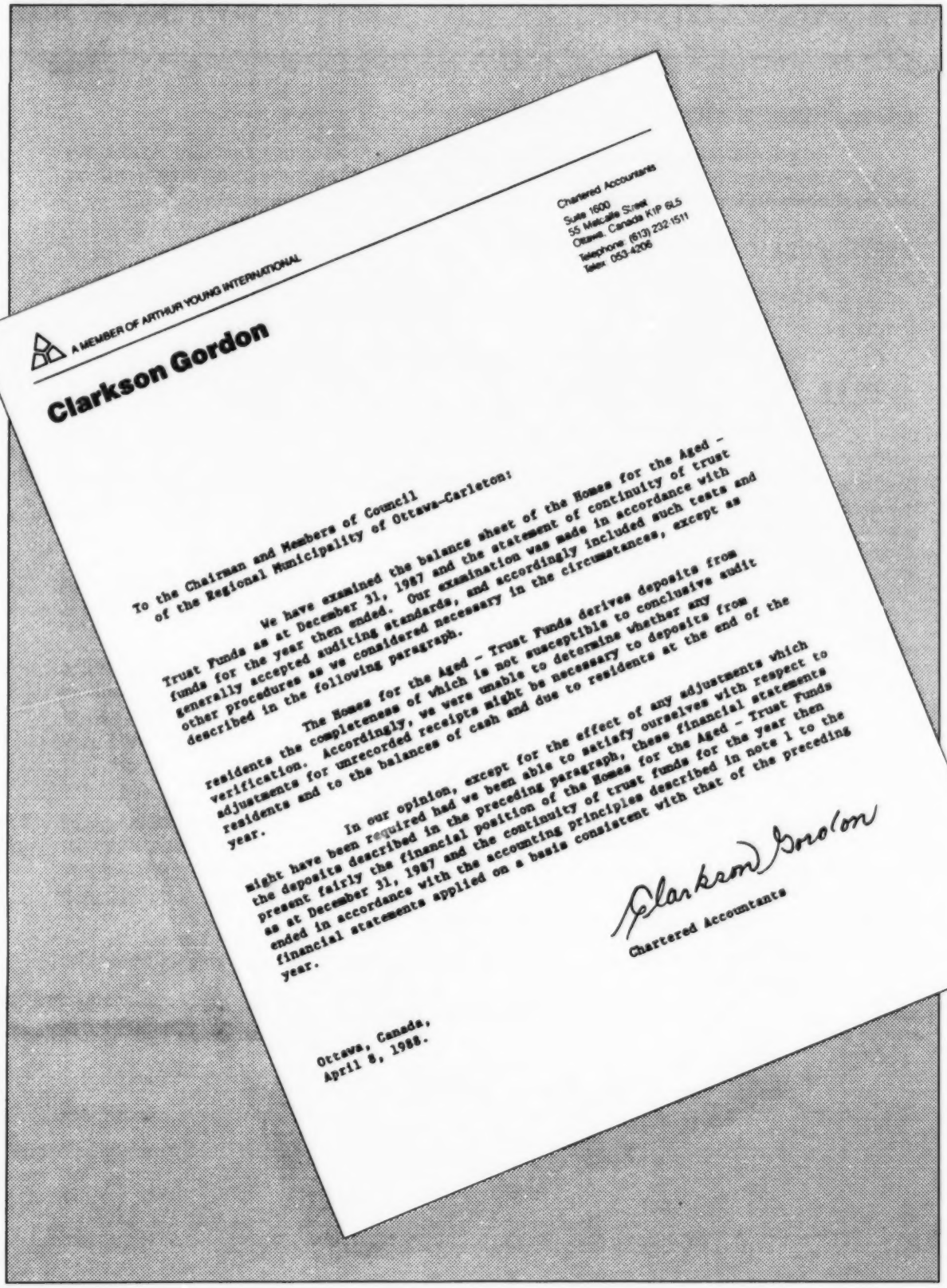
Note 14. SUBSEQUENT EVENT

Subsequent to December 31, 1987, ten-year instalment debentures dated January 20, 1988 in the amount of $25,000,000 were issued as authorized by By-law 293 of 1987. The issue included $16,687,000 for Regional purposes and the balance amounting to $8,313,000 was issued for area municipality purposes.

Note 15. FINANCIAL STATEMENT PRESENTATION

Certain of the 1986 comparative amounts have been reclassified to conform with the presentation adopted in 1987.

AUDITORS' REPORT



A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Clarkson Gordon

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Ottawa, Canada K1P 6L5
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Telex 053-4206

To the Chairman and Members of Council
of the Regional Municipality of Ottawa-Carleton:

We have examined the balance sheet of the Homes for the Aged - Trust Funds as at December 31, 1987 and the statement of continuity of trust funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances, except as described in the following paragraph.

The Homes for the Aged - Trust Funds derives deposits from residents the completeness of which is not susceptible to conclusive audit verification. Accordingly, we were unable to determine whether any adjustments for unrecorded receipts might be necessary to deposits from residents and to the balances of cash and due to residents at the end of the year.

In our opinion, except for the effect of any adjustments which might have been required had we been able to satisfy ourselves with respect to the deposits described in the preceding paragraph, these financial statements present fairly the financial position of the Homes for the Aged - Trust Funds as at December 31, 1987 and the continuity of trust funds for the year then ended in accordance with the accounting principles described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Clarkson Gordon

Chartered Accountants

Ottawa, Canada,
April 8, 1988.

STATEMENT OF CONTINUITY

	Island Lodge	Carleton Lodge	Centre D'Accueil Champlain	1987 Total	1986 Total
Balance at beginning of year	$1,147,381	$ 230,775	$151,609	$1,529,765	$1,511,956
Deposits from residents	727,184	172,604	103,546	1,003,334	831,913
Interest earned	69,608	13,483	9,008	92,099	108,238
	1,944,173	416,862	264,163	2,625,198	2,452,107
Payments to or on behalf of residents	792,773	141,261	111,607	1,045,641	922,342
Balance at end of year	**$1,151,400**	**$ 275,601**	**$152,556**	**$1,579,557**	**$1,529,765**

BALANCE SHEET

Assets					
Cash	**$1,151,400**	**$ 275,601**	**$152,556**	**$1,579,557**	**$1,529,765**
Liabilities					
Due to residents	**$1,151,400**	**$ 275,601**	**$152,556**	**$1,579,557**	**$1,529,765**

(See accompanying note to financial statements)

Note 1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Homes for the Aged - Trust Funds of The Regional Municipality of Ottawa-Carleton have been prepared by management within reasonable limits of materiality and in accordance with accounting policies which conform to accounting principles prescribed for Ontario municipalities and on a basis consistent with that of the preceding year. The following is a summary of the significant accounting policies of the Homes for the Aged - Trust Funds:

a) Deposits from residents and payments to or on behalf of residents are recorded on a cash basis.

b) Interest earned is recorded one month in arrears.

THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

SCHEDULE OF LONG-TERM DEBT DECEMBER 31,1987 (in thousands)

YEAR OF ISSUE	MATURITY DATE	INTEREST RATE PERCENT	ORIGINAL AMOUNT R.M.O.C.	ORIGINAL AMOUNT AREA MUNICIPALITIES	ORIGINAL AMOUNT TOTAL	R. M. O. C. OUTSTANDING	R. M. O. C. SINKING FUNDS	R. M. O. C. LONG-TERM DEBT, NET	REFERENCES
PAYABLE IN CANADIAN DOLLARS									
1969	July 2, 1970-1989	9.250	-	3,115	3,115	-	-	-	(1)
1969	July 2, 1989	9.250	1,935	4,743	6,678	1,935	1,935	-	(2)
1970	July 2, 1971-1990	9.000	50	3,655	3,705	-	-	-	(1)
1970	November 15, 1990	9.000	2,419	4,899	7,318	2,419	2,419		(2)
1971	August 1, 1982-1991	8.000	-	-	638	638	-	-	(1)
1971	November 15, 1982-1991	8.000	-	911	911	-	-	-	(1)
1971	November 15, 1991	8.000	7,031	780	7,811	7,031	7,031	-	(2)
1972	August 1, 1978-1992	8.500	6,135	5,888	12,023	2,768	-	2,768	(1)
1973	August 1, 1974-1993	8.500	-	1,467	1,467	-	-	-	(1)
1973	November 30, 1974-1988	8.500	1,332	2,970	4,302	148		148	(1)
1973	November 30, 1993	8.500	9,668	6,296	15,964	9,668	9,073	595	(2)
1974	November 15, 1985-1994	10.750	-	425	425	-	-	-	(1)
1975	March 15, 1991-1995	9.750	4,865	2,401	7,266	4,865		4,865	(1)
1975	December 1, 1986-1990	11.000	-	99	99	-	-	-	(1) (10)
1976	December 15, 1977-1996	9.750	-	1,127	1,127	-	-	-	(1)
1977	April 15, 1997	9.500	3,000	-	3,000	3,000	1,800	1,200	(2)
1977	November 15, 1988-1992	9.250	613	1,606	2,219	613		613	(1)
1977	November 15, 1997	9.375	5,627	4,373	10,000	5,627	3,182	2,445	(2)
1978	January 1, 1979-1992	10.250	-	1,163	1,163	-	-	-	(1) (10)
1978	December 15, 1998	10.750	-	2,012	2,012	-	-	-	(2) (10)
1979	August 31, 1980-1994	10.500	-	1,692	1,692	-	-	-	(1) (10)
1980	July 3, 1986-2000	12.000	6,236	9,764	16,000	5,406	-	5,406	(4) (6)
1981	December 1, 1982-2001	16.500	645	780	1,425	598	-	598	(1) (10)
1981	December 1, 1982-1996	16.500	-	127	127	-	-	-	(1) (10)

THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

SCHEDULE OF LONG-TERM DEBT
DECEMBER 31,1987
(in thousands)

YEAR OF ISSUE	MATURITY DATE	INTEREST RATE PERCENT	ORIGINAL AMOUNT R.M.O.C.	ORIGINAL AMOUNT AREA MUNICIPALITIES	ORIGINAL AMOUNT TOTAL	R. M. O. C. OUTSTANDING	R. M. O. C. SINKING FUNDS	R. M. O. C. LONG-TERM DEBT, NET	REFERENCES
1982	JULY 2, 1988-1992	16.875	150	2,145	2,295	150	-	150	(1) (10)
	JULY 2, 1993-2002	17.125	300	2,082	2,382	300	-	300	(1) (10)
1982	DECEMBER 1, 1988-1992	13.000	2,477	3,423	5,900	2,477	-	2,477	(1)
	DECEMBER 1, 1993-2002	13.250	35	3,065	3,100	35	-	35	(1)
1983	SEPTEMBER 15, 1988	8.000	1,540	-	1,540	1,540	1,472	68	(2)
1983	DECEMBER 15, 1987-1988	11.250	2,115	1,885	4,000	1,057	-	1,057	(1)
	DECEMBER 15, 1993	12.000	13,752	12,248	26,000	13,752	-	13,752	(8)
1983	DECEMBER 30, 1984-1988	11.000	-	22	-	22	-	-	(1) (10)
	DECEMBER 30, 1989-1993	12.000	-	16	16	-	-	-	(1) (10)
1984	DECEMBER 4, 1994	12.500	26,513	3,487	30,000	26,513	6,269	20,244	(2) (9)
1984	DECEMBER 31, 1987-1989	11.800	-	482	482	-	-	-	(1) (10)
	DECEMBER 31, 1990-1994	12.375	-	948	948	-	-	-	(1) (10)
	DECEMBER 31, 1995-1999	12.625	-	316	316	-	-	-	(1) (10)
1985	JULY 31, 1986-2000	11.000	24,406	10,594	35,000	21,748	-	21,748	(1)
1985	NOVEMBER 1, 1986-1990	10.600	-	1,024	1,024	-	-	-	(1) (10)
	NOVEMBER 1, 1991-1995	11.050	-	826	826	-	-	-	(1) (10)
	NOVEMBER 1, 1996-2000	11.400	-	854	854	-	-	-	(1) (10)
	NOVEMBER 1, 2001-2005	11.375	-	1,452	1,452	-	-	-	(1) (10)
1986	MAY 15, 1998	9.375	15,155	24,845	40,000	15,155	1,052	14,103	(2) (9)
1986	MAY 15, 2006	9.625	12,750	2,250	15,000	12,750	426	12,324	(2) (9)
1986	JULY 15, 1987-2006	10.000	384	-	384	377	-	377	(1) (10)
1986	DECEMBER 1, 1987-1991	9.500	-	2,793	2,793	-	-	-	(1) (10)
	DECEMBER 1, 1992-1996	9.750	-	1,788	1,788	-	-	-	(1) (10)
1987	DECEMBER 15, 1988	9.625	-	121	121	-	-	-	(1) (10)
	DECEMBER 15, 1989-1990	10.000	-	275	275	-	-	-	(1) (10)
	DECEMBER 15, 1991-1992	10.250	-	333	333	-	-	-	(1) (10)

THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

SCHEDULE OF LONG-TERM DEBT
DECEMBER 31,1987
(in thousands)

YEAR OF ISSUE	MATURITY DATE	INTEREST RATE PERCENT	ORIGINAL AMOUNT R.M.O.C.	ORIGINAL AMOUNT AREA MUNICIPALITIES	ORIGINAL AMOUNT TOTAL	R.M.O.C. OUTSTANDING	R.M.O.C. SINKING FUNDS	R.M.O.C. LONG-TERM DEBT, NET	REFERENCES
	DECEMBER 15, 1993-1994	10.375	-	399	399	-	-	-	(1) (10)
	DECEMBER 15, 1995-1996	10.500	-	488	488	-	-	-	(1) (10)
	DECEMBER 15, 1997	10.625	-	282	282	-	-	-	(1) (10)
						139,932	34,659	105,273	
	DEBT ISSUED FOR AREA MUNICIPALITIES AND ASSUMED BACK					6,123	3,241	2,882	
	ISSUED PAYABLE TO PROVINCIAL AND FEDERAL GOVERNMENTS					2,360	-	2,360	
	TOTAL PAYABLE IN CANADIAN DOLLARS					148,415	37,900	110,515	
	PAYABLE IN UNITED STATES DOLLARS								
1974	OCTOBER 31, 1989	10.750	2,954	4,046	7,000	2,954	2,954	-	(2)
1974	OCTOBER 31, 1994	10.750	462	2,538	3,000	462	378	84	(3)
1975	MARCH 15, 1990	9.500	16,959	8,041	25,000	5,017	-	5,017	(4) (9)
1976	JANUARY 1, 1985-1996	9.375	21,042	8,958	30,000	15,941	-	15,941	(4)
1977	DECEMBER 15, 1997	8.750	16,500	-	16,500	16,500	8,859	7,641	(2)
1980	JANUARY 15, 2000	10.375	17,164	12,836	30,000	13,706	-	13,706	(5)
1982	JUNE 15, 1997	14.750	18,409	21,591	40,000	12,653	-	12,653	(4) (7) (9)
	TOTAL PAYABLE IN UNITED STATES DOLLARS					67,233	12,191	55,042	
	DEBT ISSUED FOR AREA MUNICIPALITIES AND ASSUMED BACK					1,079	-	1,079	
	TRANSLATION INTO CANADIAN DOLLARS USING HISTORICAL EXCHANGE RATE					7,479	814	6,665	
	TOTAL PAYABLE TRANSLATED INTO CANADIAN DOLLARS					75,791	13,005	62,786	
	DEBT ASSUMED FROM AREA MUNICIPALITIES					9,221	-	9,221	
	LEASE AGREEMENT					534	-	534	
	TOTAL LONG-TERM DEBT					233,961	50,905	183,056	

(1) Non-callable instalment debentures

(2) Non-callable sinking fund debentures

(3) Redeemable sinking fund debentures subject to redemption prior to maturity on at least 30 days' notice at the option of the Region on or after October 31, 1989 at premium declining to par on October 31, 1993

(4) Obligatory annual redemptions at par selected by lot on each anniversary date

(5) Repayable in annual principal instalments on each anniversary date commencing January 15, 1981. Also redeemable in whole or in part pro rata at option of the Region on any date on or after January 15, 1990 on at least 30 days' notice at premiums declining to par on January 15, 1999

(6) All but not part of the debentures may be redeemed at par on 30 days' notice at any time on or after July 3, 1995

(7) On or after June 15, 1992 optional redemptions of all or some of the debentures at their principal amount

(8) Term debentures with an annual retirement fund deposit for payment of debt at maturity

(9) Debentures sold on euro markets with annual interest rate

(10) Debentures sold in-house, not on public markets